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C O N F I D E N T I A L SECTION 01 OF 02 TAIPEI 002440

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SUBJECT: KMT HONORARY CHAIRMAN LIEN CHAN ON PRESIDENT CHEN,
DEFENSE

Classified By: AIT Director Stephen M. Young, Reasons: 1.4 (b/d)

¶1. (C) Summary: KMT Honorary Chairman Lien Chan strongly criticized President Chen for organizing his policies around the "totally impractical" goal of Taiwan independence, during a meeting with the Director on July 18. Chen's policies have negatively affected relations with allies as well as progress on the economy and domestic issues. "Mr. Chen" has lost the ability to lead, and the most important task for the Pan-Blue is to create conditions to force his resignation, Lien stated. Noting that democratic development involves growing pains, the Director said that the key to Taiwan's future is subordinating partisan politics to Taiwan's overall interests, especially on defense issues. The Director urged Taiwan to act now on arms procurement, while President Bush, a good friend of Taiwan, is still in office. Lien agreed, and promised to urge Chairman Ma Ying-jeou and other KMT leaders to support reasonable arms procurement. End summary.

¶2. (C) In a meeting with Honorary KMT Chairman Lien Chan on July 18, the Director expressed concern that for some time both the U.S. and Taiwan seem to have been spending less energy managing and developing their relationship. Lien agreed, and blamed the disorganization and inexperience of the Chen administration for a deterioration in Taiwan's relationship with the U.S. The Chen administration is plagued by the lack of an "overall orientation" toward the United States, Japan, Europe, and neighboring countries in Southeast Asia. It has organized its policies around the "totally impractical" notion of Taiwan independence, and as a result, Lien argued, Taiwan's domestic and international political affairs have been led astray for the past six years.

¶3. (C) By any yardstick, Lien claimed, Taiwan has not progressed: its democratic development has stalled, its judiciary is no more independent than when Chen took office, and media reporting quality has continued to decline. Taiwan is also losing out on crucial economic opportunities in the Mainland due to Chen's restrictions on cross-Straits trade and investment. The "blunt reality," said Lien, is that "Mr. Chen Shui-bian has lost the power to lead." The most important task facing the opposition, he continued, is to create the conditions under which Chen can be forced to resign. The recall and no-confidence options each have their advantages and disadvantages, which the KMT is still pondering.

14. (C) The Director responded that Taiwan, like all developing democracies, must work through difficult early stages. The political deadlock, however, stems from the notion in Taiwan that all politics is "zero-sum." Taiwan's leaders must work to find common ground on issues of island-wide importance to be able to formulate productive policies, which the Taiwan people deserve. Of particular concern to the U.S. is the inability of Taiwan's ruling and opposition parties to reach agreement on the defense budget. The sense among U.S. policymakers, the Director continued, is that crucial improvements to Taiwan's defense are being held hostage for partisan political purposes. The balance of military power is gradually shifting to the PRC, and Taiwan must improve its defensive capabilities to protect its current freedoms, and to preserve the balance in any future negotiations with China.

15. (C) Lien insisted that the KMT has always supported a "credible defense" for Taiwan, and that KMT policy has not changed. The United States remains Taiwan's most important ally, Lien said, and Taiwan is especially grateful for U.S. military assistance, which he described as one of the "pillars" of the relationship. However, the defense budget deadlock is solely the fault of President Chen's procrastination and trickery, Lien claimed.

16. (C) The Director urged Lien to not dwell on the past, but to look towards Taiwan's future. He reminded Lien that simultaneous with Taiwan's presidential election in 2008, the U.S. will also be electing a new president, and that it is customary for U.S. presidents to re-evaluate and sometimes change existing U.S. defense commitments. The risk to Taiwan is that President Bush's successor could choose to take current arms purchase proposals off the table. Now is the

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time for Taiwan's political leaders to act responsibly to improve Taiwan's security, while the opportunity exists. Lien expressed agreement with the Director's remarks, and promised to "help Taiwan help itself," by encouraging KMT Chairman Ma, KMT LY Speaker Wang Jin-pyng, and others to honor their public commitments to support reasonable arms procurement.

Comment

17. (C) Lien's personal animosity toward Chen Shui-bian, who twice bested him in presidential elections, is evident. Like many in the Blue camp, Lien has never viewed Chen as legitimate, which explains the passion with which they pursue his removal.
YOUNG